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C O N F I D E N T I A L SECTION 01 OF 03 TEGUCIGALPA 002339

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SUBJECT: HONDURAS OFFERS SUPPORT ON WTO; SEEKS USG HELP ON
BANANAS AND FLEXIBILITY ON CAFTA IMPLEMENTATION

REF: A. A) STATE 207068

[1](#)B. B) TEGUCIGALPA 2314

Classified By: EconChief PDunn for reasons 1.5 (B and D)

[1](#)1. (C) Summary: Following a meeting with Ambassador and EconChief, GOH officials agreed on the need to keep expectations high for the Hong Kong negotiating round of the WTO Doha Development Agenda. In return, the GOH seeks a clear USG position opposing any EU effort at those talks to further stall resolution of its conflict with Latin America over bananas. On CAFTA, the GOH remains fully committed to full compliance soonest. While it can pass required legislation in time for a January 1 entry into force, it cannot likely craft and pass additional implementing regulations in that time frame. The GOH strongly opposes any entry into force announcement that excludes Honduras, and instead seeks either USG recognition that CAFTA is self-executing (rendering most legislative changes unnecessary) or a delayed entry into force date. Post agrees that entry into force without Honduras would be a political disaster for both the U.S. and Honduras and will continue to work with Washington-based agencies to identify alternatives. End Summary.

WTO Talks

[1](#)2. (C) Per ref A, on November 16 Ambassador and EconChief called on Minister of Trade and Industry Irving Guerrero and Vice Minister Melvin Redondo to encourage greater public support for a high-ambition round of negotiations in Hong Kong in December. Minister Guerrero was quoted in a lengthy press interview on November 15 managing down expectations for the round, warning the public that the Hong Kong meeting "would not accomplish much... except a few declarations with little substance." Ambassador delivered a clear message that the USG continues to seek a high-ambition round and would appreciate public GOH support for such goals, both to keep expectations high and to keep pressure on the European Union to produce a better offer.

[1](#)3. (C) The Minister took these points on board, agreeing that this round of talks is both important and ambitious, and undertaking to provide a more positive message in future public pronouncements. Vice Minister Redondo noted that the highly ambitious nature of the Hong Kong round is reflected in its five day schedule, vice the normal three days. As evidence that the GOH still seeks meaningful outcomes, Redondo also noted that the GOH delegation to Hong Kong will include Minister of Agriculture Mariano Jimenez.

Bananas and Cotton

[1](#)4. (C) Redondo noted, however, that the agricultural negotiations are "very delicate" in part because of the unresolved banana issue. (Note: Honduras is one of the six largest western-hemisphere banana exporters and is collaborating with the other five to battle the EU over its Tariff Rate Quota system. End Note.) The GOH is frustrated that even after losing in arbitration twice, the EU still refuses to comply with WTO rulings. Redondo and Guerrero both expect the EU to again seek a waiver of its non-compliant policies in Hong Kong (as it successfully did in Doha), and requested that the USG oppose such a maneuver. The GOH is seeking a "very clear U.S. position," Redondo said. "At least stay out of the way," Guerrero added, "but even better would be if the U.S. could oppose" any such waiver request.

[1](#)5. (C) Guerrero also noted that to neutralize EU influence over Africa on this issue, the U.S. needed to act on cotton (a crop that, not coincidentally, is now also of interest to the GOH thanks to changes under CAFTA). EconChief noted the November 10 announcement in Burkina Faso of the Cotton Improvement Program and supplied Guerrero with additional information following the meeting. Guerrero approved of the

idea, noting that the U.S. needs to do more marketing to win the hearts and minds of the developing countries on trade issues. It is outrageous, he said, that the EU can maintain such harmful trade policies and still be perceived as a defender of developing countries.

CAFTA Implementation

16. (C) On CAFTA implementation, Guerrero made an impassioned appeal for more time to complete and pass legislation needed to bring Honduras into compliance (see ref B for additional background). A U.S. Presidential Proclamation on CAFTA that excluded Honduras would be a political disaster for Honduras, he said, and an embarrassment for the U.S. Trade Representative (USTR), which would be accused by opponents of free trade of negotiating with countries that are not ready to enter into free trade deals. The fallout from such a debacle, particularly following the difficulties at the Mar del Plata Summit, could significantly set back the cause of free trade in the hemisphere. Instead, he suggested, USTR should accept that CAFTA is self-executing (that is, that its provisions trump domestic law in Honduras and therefore no additional implementing legislation is needed) and announce that Honduras will be ready for CAFTA entry into force. EconChief noted that USTR has already indicated it is disinclined to accept that reasoning.

17. (C) An alternative, suggested Guerrero, is a later entry into force. (He illustrated his idea citing the date of April 1, 2006, but said he is not wedded to that date.) That would give all the Central American countries ample time to get their legislation right and then to follow up with appropriate and effective implementing regulations. Not only would getting all of those changes accomplished in the next few weeks be impossible for Honduras (which faces national elections on November 27 and whose Congress is currently out of session campaigning), but even if it were possible it would not be possible for USTR to evaluate the new legislation in time. USTR is stretched thin, Guerrero recognized, by the Andean talks and by WTO concerns and could not hope to master the intricacies of the legal systems of six Latin American countries and then translate, evaluate, and certify reams of legislative and regulatory changes in time for a January 1 entry into force.

18. (C) Guerrero is also concerned that some recent USG requests for changes to law and regulation are new and constitute moving the goalposts. He said that requiring additional specific legislation on generic drugs, for example, is not only impractical in the short time remaining, but it could ignite a firestorm of protest against CAFTA. Better, he said, to allow the GOH to remedy any lacuna regarding generic drugs using administrative procedures and regulations, thus avoiding a potentially inflammatory debate in Congress.

19. (C) As a third alternative, Guerrero suggested perhaps USTR could announce the entry into force of CAFTA in January as planned, based on the legislative framework being in place, but make it contingent on prompt passage of appropriate implementing regulations. Such a solution avoids embarrassment for all and would leave sufficient time to all parties, including within the USG, to consider adequately and approve of the measures to be adopted.

Comment

10. (C) Comment: Guerrero seemed somewhat sheepish when gently chided for his unhelpful public comments on the upcoming WTO talks, and appears to have genuinely taken on board our expectation that GOH public statements in the future support a high-ambition negotiating round. On CAFTA implementation, Post agrees with Guerrero that entry into force without Honduras would be a devastating blow to the GOH and to USG efforts to expand free trade throughout the hemisphere. Post will continue to work with Washington-based agencies to identify alternatives. Similarly, Post understands the GOH need to come home from Hong Kong with something tangible, and would support a USG effort to block any efforts by the EU to further stall the resolution of this seemingly interminable conflict over bananas. End Comment.
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